

PLEDGING FOR NEW CONCEPTUAL PERSPECTIVES IN DECISION-MAKING PROCESS

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Abstract:

This work is a plea for taking into account other conceptual alternatives in terms of decision theory and practice on approach. The methods that are currently used although important theoretically have a very practical effect. This is because of the greatly increased the complexity of decisions, the uncertainty of the environment and systemic approach. Therefore I consider conceptual perspectives are needed to overcome the complexity of the environment and asymmetric information during decision-making. This requires fundamentally new theoretical approaches to help managers faced with failures to find the causes thereof.

Introduction

Decision making is a process of thinking that involves choosing one of the alternatives that we have available at a given time. The outcome of the decision is the alternative that was chosen after the process end. This alternative may be in the form of an action taken out or in the form of an opinion or statement. The need for decision arises when we have several options and we do not know which one to choose to obtain the best results. It can be said therefore that the decision-making process is a cognitive process rational or intuitive based on expressed or implied assumptions. Decision is not something tangible in return results of decision and its impact from the adoption into practice are observable. The decision has as result an action that will lead to improve a present status or resolve a

problem that occurred during the activity.

Classic models and behavioral decision making were developed based on a much more stable and less complex environment specific to economic, social and political environment from the past centuries. These models have focused on the decisions that were taken only at the highest level to senior managers of organizations dedicated only strategic issues within the organization. Today the decisions world has become more complex due to the increase of organizations number, the increasing complexity of organizational structures, exponentially growing amount of information, economic globalization. These phenomena have resulted in increased complexity and uncertainty level that decisions makers must face. Also, it has emerged the phenomenon of delegating authority within organizations, which led to a

fundamental change in how to deal with decisions at the organizational level [2].

The conformist models see decisions encompassing successive stages: identify the problem, generate alternative solutions, evaluate and choose, implement. Thompson and Tuden identified "four approaches for this decision making process [13]:

1. analysis;
2. judgement;
3. bargaining; and
4. inspiration."

In the seventh decade of the last century, Mintzberg has held that the simple linear model is not optimal for addressing significant decisions in organizations, showing that decision-making cycles and time delays are important elements in the approach to decision [9]. Bradford University researchers have proposed a new model from the model Tuden and

Thompson, showing that complexity and power sources within the organization are key issues in making decisions [10].

Although they improve existing models proposed models proved as unable to deal with the challenges facing the organization in the contemporary world. The models have diversified over time but remained more theoretical, their practical application encountering a number of difficulties. The Mitroff showed that there are four possible perspectives approach to decision [11], while Stacey found three stages in the decision-making cycle. Similarly to Mintzberg and Westley's [9] that defined three approaches to decision-making, Johnson and Scholes approached decision making by three lenses . These theories are illustrated in Figure 1.

Perspectives	<u>Mitroff</u> Approaches, Cyclical stages and Lenses		
Technical	<u>Stacy</u> Action	Discovery	Choice
Systemic	<u>Mintzberg and Westley</u> Doing first/craft	Seeing first/art	Thinking first/science
Interpersonal			
Existential	<u>Johnson</u> Experience	Ideas	Design

Figure 1. Perspectives, approaches and stages in decision making

Source: McKenna, R. J., Martin-Smith, B., *Decision making as a simplification process: new conceptual perspectives*, Management Decision, Volume 43, Number 6, 2005, p. 833.

System approach

With the use of chaos theory and complexity theory in research on organizational dynamics and management organizations, increased understanding of the organizational phenomena, accurate predictions on the evolution of the organization, because understanding organizations like systems, which in turn are part of more complex systems. In their quality as systems, organizations have a number of characteristics [7].

The organization is an open, adaptive system, given that it is part of larger systems, its connected harmonized management process. At the same time, the organization has a proper degree of autonomy, self-contained operation. The organization can be understood only as an open system whose internal processes are in interrelation with the environment. The organization as a completely closed system probably will never exist, because its components are always influenced by forces outside the system. This means that the organization must be examined contextually and in this sense we can speak of "degrees of permeability" of environmental influences, but not a closed system.

The organization is a dynamic system, evolution and viability being determined by changes that occur within the system, in its relations with the environment. It is also a complex system, probabilistic and relatively stable because it represents a reunion of components articulated by numerous links, subject to disturbance, but is able to maintain operation within limits that define manner of behavior [5]. The

organization is a self-regulating and self-organized, with the ability to cope with various influences from inside and outside, with the assistance of management, decision-making acts. As a self-regulating system, the organization operates in accordance with a set of norms and values and adjusts itself based on several factors. These include [7]:

- human elements interacting each other;
- transforming action;
- organization has the freedom of choice of means and ways of action as to how to formulate future goals, that has flexibility;
- people who work variable is closely related to motivation and conviction, satisfaction and moral conditions, the behavior of complex systems of communication and information, the models adopted in the decision process and performance.

Self-organization expresses its capacity to restore balance of its behaviors in relation to the disturbances occurred, and self-training reflects the ability he has to use past experiences to optimize its work.

Decisions are processes that drive the organization's work, the factors that determine the transformation of inputs into outputs. Decisions provides the driving force of the organization in the environment in which it operates. The feedback is the decision that ensures the evaluation of results, helping to optimize future decisions. Decision role in the organization is illustrated in Figure 2.

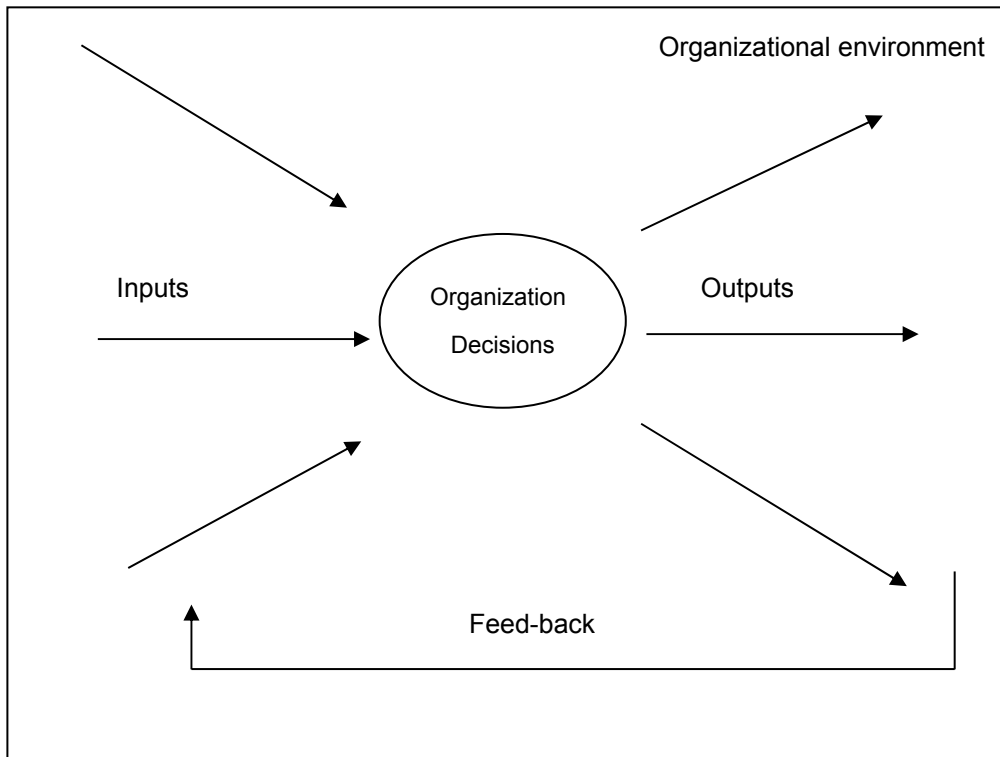


Figure 2. Decisions in organizations

Uncertainty and asymmetric information

Decisions that have a long lead time and strategic nature are subject to uncertainty. This uncertainty can be generated by the end-user preferences products or services offered by the organization, by way of purchase of resources and production capacities. Also, the uncertainty may be generated due to the external environment organization components such be competitors and other businesses. Uncertainty means those states in which the decision makers from the organization have access to all information, forecasts by being imperfect. Uncertainty clearly affect the quality of decisions. Therefore, to cope with such conditions it has

emerged a new domain of management, risk management, to create tools that provide alternatives in case of unexpected situations.

Another theory that has met the optimal decision making was that game theory facilitating a better understanding of uncertainty and how is treating it. Fundamentals of game theory were laid by John Nash, Harold Kuhn, Robert Aumann, James Friedman in the 1960s and 1970s. This theory was not accepted initially as a useful tool in the theory of the firm. In 1980 management practitioners agreed that the organization is too a complex system which in turn evolves into other systems as a component. Thus the enterprise cannot be understood and decisions made based only on

simplified models. It requires tools such as game theory and risk management to reduce the uncertainty that organization facing. In the traditional theory of the firm, it is assumed that information is freely and ubiquitously available. This factor is therefore not an explicit part of the production or cost functions which deal with planning, organization and control. In the latest management theory, information is taken into account explicitly.

Latest developments that occurred in decision theory refers to the impact assessment of the existence of imperfect information on which decisions are based. Asymmetric information have caused a traditional view change on the way of decision-making. In these circumstances we need new instruments in the decision-making process that takes also consider asymmetric information.

Conclusions

The complexity of the economic environment, aggressive competition, information distributed asymmetrically complicated decision-making process. It is no longer possible for a single individual to master all aspects and cannot have all the information necessary to make optimal decisions. Effective decision-making often requires a greater availability of information and their existence in a timely manner. Behavioral of classical models of decision making have a linear and deterministic vision. However, the real world is characterized by non-linearity and unpredictability, as described by theories that recognize the complexity, unpredictability, and

asymmetric information, risks such as game theory, complexity theory, systems theory, chaos theory, and risk management. Although leaders have significant resources at their disposal to develop valid decision-making outcomes, in many cases the decision is compromised by the influence of factors relating to the personality, motivations and position of the decision makers.

Under pressure from the increasingly complex economic, social and political environment process of decision-making has evolved from a causal relationship simple to a complex process which sees the decision as a function whose variables are individual and group behavior that characterize the complex environment in which the company evolves.

Currently decisions lose their static character and become more dynamic as they are entering a zone of management of uncertainty. The process of decision making in organizations is not a simple process, characterized by clear steps, as defined by a series of models: identifying the problem or opportunity, identify alternatives that can be taken into account, the evaluation of these alternatives, choosing the appropriate alternative and implementation of optimal decision. Technological, economic and social developments and impact of globalization and showed that theories which are based on complexity, chaos, risks are far more relevant than technical rationality assumptions.

Instruments used for proper decision-making to be relevant and applicable must take account

environmental complexity, environment. Therefore I consider uncertainty in the markets and that it is needed new conceptual asymmetric information in the perspectives.

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